

September 27, 2013



OFFICE OF
**INSPECTOR
GENERAL**
UNITED STATES POSTAL SERVICE

HIGHLIGHTS

Using U.S. Postal Service-Specific Assumptions for Calculating the Retiree Health Care Liability

Report Number FT-MA-13-022

BACKGROUND:

The Federal Employees Health Benefits program offers health insurance to employees and retirees of the U.S. Postal Service and federal agencies. The Postal Service, employees, and retirees contribute to the program for future benefits. The U.S. Office of Personnel Management (OPM) administers the program.

As of September 30, 2012, the OPM projected a \$47.84 billion retiree health care unfunded liability. The U.S. Postal Service Office of Inspector General previously analyzed Postal Service funding levels and compared them to federal and state governments, the military, and corporations. Those comparisons supported that the Postal Service funded its retirement liabilities at a substantially higher level than the other organizations.

Our objective was to review the assumptions used for the Postal Service's retiree health care liability calculation and determine what effect those assumptions may have on the retiree health care liability calculation estimate.

WHAT THE OIG FOUND:

Postal Service employees have distinguishing employee characteristics (termination, retirement, disability, death, life expectancy, and health care plan elections) that the OPM does not take into consideration when applying actuarial assumptions. These characteristics, as well as other non-employee factors, impact the retiree health care liability calculation. Currently, the OPM uses the same actuarial assumptions for Postal Service and federal employees without regard to the characteristic differences between them.

If the retiree health care liability was calculated using Postal Service-specific assumptions, the liability would increase by \$2.34 billion, from \$93.58 billion to \$95.92 billion, and the Postal Service could achieve a more accurate liability estimate that more closely aligns with future benefits.

WHAT THE OIG RECOMMENDED:

We recommended management coordinate with the OPM to modify the future retiree health care liability calculation to use actuarial assumptions specific to the Postal Service.